



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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June 1, 1998

Buzz Gerick  
Western States Minerals Corporation  
250 South Rock Boulevard, Suite 130  
Reno, Nevada 89502

Re: Drum Mine Site Characterization, M/027/007, Millard County, Utah

Dear Mr. Gerick:

Please find enclosed one signed original for the Drum Mine site characterization agreement between Western States Minerals Corporation and the Utah Division of Oil, Gas and Mining.

As of this letter, we are still waiting confirmation from State Purchasing on the award of the contracts for the lab analysis. As soon as we get approval, I will fax you a copy of the lab contracts so that you may proceed with delivery of the samples for analysis.

Again, we are very pleased by Western's cooperation with the site characterization and development of reclamation plans for the Drum Mine site.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Randall Harden'.

J. Randall Harden  
Senior Reclamation Engineer

jb

Enclosure: 1 Original of signed Agreement

cc: Mary Ann Wright, DOGM  
Wayne Hedberg, DOGM

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## AGREEMENT

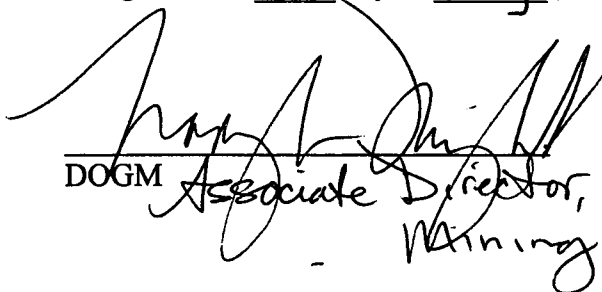
This Agreement between the Utah State Department of Natural Resources, Division of Oil, Gas and Mining (DOGM), and Western States Minerals Corporation (WESTERN) contemplates collection and analysis of samples taken at the Drum Mine site. DOGM and WESTERN share an interest in collecting, sampling and analysis of certain features at the Drum Mine area, because both parties are actively engaged in determining appropriate closure and reclamation plans for various portions of the entire mine site. DOGM is conducting reclamation work under bond forfeiture by Jumbo Mining Company (JUMBO) and WESTERN is conducting reclamation work within their designated portions of the Drum Mine permit area. DOGM and WESTERN shall share in the costs and results of sampling information taken at the mine site in order to determine the mitigation requirements necessary for reclamation of the entire mine site. Sample analyses will be used to determine appropriate reclamation treatments and to evaluate soil and cover materials needed for reclamation.

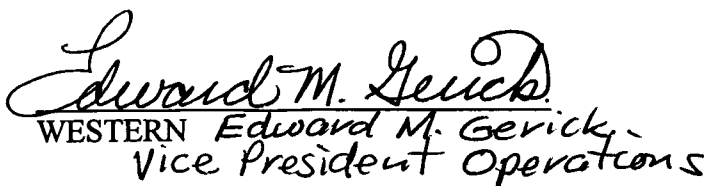
WESTERN has proposed and DOGM has evaluated the scope of work planned by both parties at the Drum Mine site. Those portions of the site work related to JUMBO's permit area are as described in DOGM/BLM's sampling plan dated April 6, 1998. More specifically, the sites requiring sampling related to JUMBO are: HG-1, HG-2, HG-3, HG-4&5 and the pregnant and barren ponds. Sampling will require the excavation of 27 test pits from which approximately 135 samples will be collected. Additionally, samples of the pond solution and sludge will also be taken. The portions of the site work related to WESTERN's permit area are as described in the *Characterization Sampling Program for Heap Leach Pads and Waste Rock Dumps Located at the Drum Mine*, dated November 1997 and *Addendum* dated February 3, 1998. To equitably share in the costs and activities associated with the collection and sampling requirements for the entire site, DOGM and WESTERN agree as follows:

WESTERN shall be responsible for conducting and funding all field work necessary to locate, identify, collect and store samples taken at the Drum Mine site and deliver them to the selected laboratory for analysis. As of this date, WESTERN has collected the samples for which it is responsible including samples for potential growth media borrow areas. Since time is of essence, it is proposed that this agreement be consummated no later than May 29, 1998, so that the DOGM portion of the DRUM sampling can begin no later than June 2, 1998. If this deadline cannot be met, WESTERN declines to participate in this agreement and will proceed independently with its own analyses and will not be responsible for DOGM's sampling.

DOGM shall identify a suitable laboratory to conduct the sample preparation, analysis and reports necessary for the samples. Laboratory selection shall be in accordance with the Utah Procurement Code which may require a competitive bidding process of qualified labs. DOGM then will pay for the direct costs associated with all laboratory work.

So agreed this 21 day of May, 1998.

  
DOGM Associate Director,  
Mining

  
WESTERN Edward M. Gerick,  
Vice President Operations